

**TO:** Board Members

**THROUGH:** Jeff Walker, Executive Administrator  
Todd Chenoweth, General Counsel

**FROM:** Rebecca Trevino, Chief Financial Officer

**DATE:** July 21, 2017

**SUBJECT:** Authorization to extend Wells Fargo Depository and Custody Services Contract and to approve additional funding under existing contract

## **ACTION REQUESTED**

Consider authorizing payments to Wells Fargo Brokerage Services, LLC in an amount not to exceed \$300,000 for Fiscal Year 2017, and authorize the Executive Administrator to extend the current depository and custody services contract for a one-year term from September 1, 2017 to August 31, 2018 with payment authority not to exceed \$300,000.

## **BACKGROUND**

The Texas Water Development Board (TWDB) registers political subdivision obligations (PSOs) issued by its borrowers with the Depository Trust and Clearing Corporation (DTCC) and uses its clearing services for processing principal and interest payments on its PSOs. Utilization of DTCC clearing services is mandatory. Because TWDB is not a banking institution, it accesses the DTCC systems via a contractual relationship with Wells Fargo for DTCC custody services.

The current Wells Fargo contract took effect on September 1, 2014 for a three-year term that expires on August 31, 2017 and includes two one-year options for renewal. When the original contract was executed in 2014, board approval was not required because annual contract costs were estimated to be below \$250,000 per year based on the pricing model of \$800 per closing and \$1.458 per security per month. TWDB is billed quarterly based on the number of closings per quarter and the number of CUSIPs registered on the last working day of each month in the quarter. Payments to Wells Fargo under the contract totaled \$228,360 in FY 2015 and \$240,016 in FY 2016.

### **Our Mission**

To provide leadership, information, education, and support for planning, financial assistance, and outreach for the conservation and responsible development of water for Texas

### **Board Members**

Bech Bruun, Chairman | Kathleen Jackson, Member | Peter Lake, Member  
Jeff Walker, Executive Administrator

**KEY ISSUES**

Due to the increased number of closings in the Clean Water and Drinking Water State Revolving Funds (SRF) and the FY 2017 costs incurred to date, it is expected that the FY 2017 costs related to this contract will exceed \$250,000. It is expected that FY 2018 costs will also exceed \$250,000.

**RECOMMENDATION**

The Executive Administrator recommends that the board authorize payments to Wells Fargo in an amount not to exceed \$300,000 for Fiscal Year 2017, and authorize the Executive Administrator to extend the current Depository and Custody Services contract for a one-year term from September 1, 2017 to August 31, 2018 with payment authority not to exceed \$300,000.